



The Real Estate ANALYST

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Roy Wenzlick
Editor

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies ... Surveys...Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

It was the intention of the Real Estate Analysts to include in this issue a study of the mortgage problem. The study, however, has grown too long for the space available, and so it will appear as a special Mortgage Bulletin to be sent you within the next two weeks.

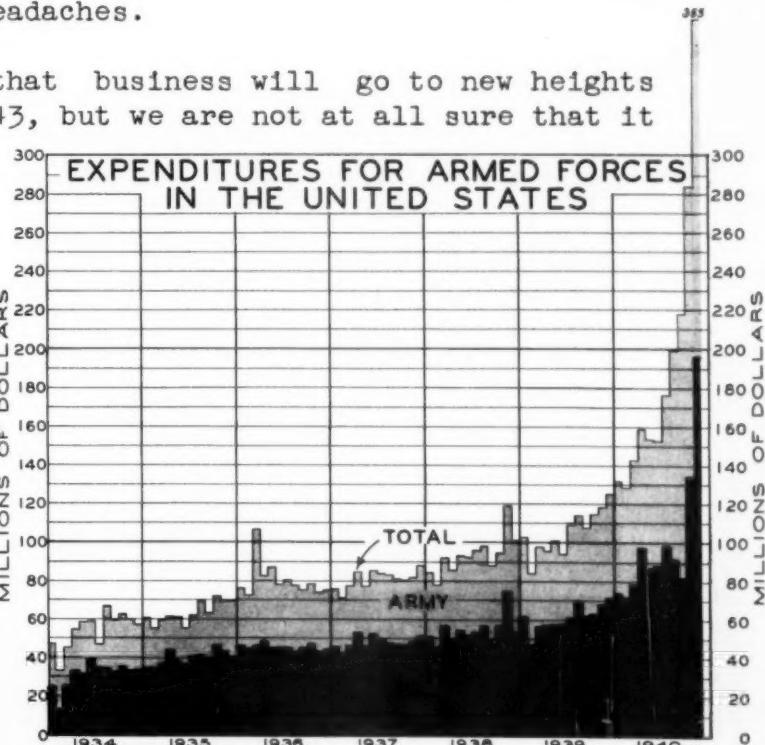
DEFENSE EXPENDITURES ARE INCREASING

THE chart at the bottom of the page shows the rapidity with which the armament program is being turned into dollars in the United States. Probably the increase is not rapid enough in view of the apparent nearness to war, but it is fast enough to be reflected very strikingly in the volume of business being done in many cities of the United States.

Initially these expenditures affect primarily the manufacturers of actual war materials and their employees, together with those producing the necessary raw materials. However, there is not a long lag between this immediate effect and the secondary effect caused by the larger incomes of these employees, who increase their expenditures for all types of durable and consumption goods.

During the period in which these expenditures are being made it is possible to develop quite a spree, but it is quite essential during this period of exhilaration to remember the inevitability of "the cold grey dawn of the morning after" with its accompanying headaches.

We are inclined to believe that business will go to new heights during 1941, 1942 and probably 1943, but we are not at all sure that it will not go to new depths in the later forties. The table on page 290 brings up to date our study of the building cost of a standard six-room frame residence. In July it cost \$6004 to build this house; in December, \$6786. This is an increase of 13% in the last five months, in contrast with an increase of 11.2% in the twelve months of the second year of the first World War. It should also be remembered that from 1915 to 1920 the cost of building this house doubled.



BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN ST. LOUIS

The chart on page 197 shows the variations in the costs of materials, labor and overhead for a six-room frame residence in St. Louis. Floor plans and a picture of the house are shown with the chart. Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the Labor.

Group A:

(1) Mason Materials: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining. Labor.

(2) Tile Materials: $\frac{1}{4}$ x $\frac{1}{4}$ wall tile, ceramic floor tile, cap and base. Labor.

(3) TOTAL OF GROUP A: Materials. Labor.

Group B:

(1) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc. Labor.

(5) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters etc. Labor.

(6) Mill Work: Windows, doors, trim, kitchen cabinet, stairs.

Group C:

(7) TOTAL OF GROUP B: Materials. Labor.

Group D:

(8) Heating: Boiler, insulating jackets, fittings, tools, pipes, connections, valves and radiation. Labor.

(9) Plumbing: Soil pipes and connections, stack, water pipe and tank to be furnished by others. Labor.

(10) TOTAL OF GROUP C: Materials. Labor.

Group E:

(11) Sheet Metal: Copper gutters, downspouts, flashing, boxes, receptacles, transformer etc. No fixtures included. Labor.

(12) Electrical Work: Main switch, EX cable, switch boxes, receptacles, transformer etc. No fixtures included. Labor.

(13) Nails and Hardware: Common and wire nails, bolts, dampers, ash doors, finish hardware.

(14) Paint Materials: White lead, linseed oil, turpentine. Labor.

(15) Misc.: Metal & wood laths, corner bead, insulation. Labor.

(16) TOTAL OF GROUP D: Materials. Labor.

(17) TOTAL OF GROUP E: Materials. Labor.

Paragraphs are numbered to correspond with the columns described. Building material costs are printed in black; the corresponding direct labor items are given in red. Overhead items - columns 18, 19 and 20 - are also printed in black. *No labor items are shown in column 13, Building Hardard, as they have already been included in column 6, Mill Work.

(18) Overhead and profit of subcontractors in plastering, heating, plumbing, metal work, electrical work and tile work.

(19) General contractor's profit.

(20) Missouri sales tax (now 2% on materials), employment tax (federal and state), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(21) TOTAL OF GROUP E.

(22) TOTAL CONSTRUCTION COST.

YEAR	GROUP A		GROUP B		GROUP C		GROUP D		GROUP E		TOTAL																			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)								
1913	\$343,388	\$24	\$13	\$367,401	\$218,101	\$40	\$134	\$350	\$121	\$152	\$126	\$231	\$110	\$383,246	\$65	\$12	\$36	\$49	\$16 *	\$59	\$64	\$1,144	\$1,144							
1914	362,388	24	13	386,401	212,101	405	134	349	121	976	256	147	248	110	395	286	59	12	36	49	16 *	50	18	1,142	\$1,142					
1915	360,388	24	13	384,401	189,108	384	134	329	131	891	285	152	249	116	401	260	68	12	38	52	17	64	19	1,142	\$1,142					
1916	366,396	24	13	390,408	224	388	135	363	131	1,025	365	153	309	116	512	260	101	12	55	52	22	86	19	323	1,142					
1917	456,413	25	14	481	258	396	132	1154	287	244	244	269	122	603	274	108	12	59	54	26	110	69	19	372	1,142					
1918	539,421	25	15	564	436	292	118	570	150	449	143	1,311	420	322	152	359	124	681	276	95	14	52	54	30	118	75	1,142	1,142		
1919	624,453	25	15	649	519	129	100	608	170	729	154	2,256	452	290	160	349	150	639	294	83	15	57	51	31	112	88	1,142	1,142		
1920	742,463	28	17	770	480	607	185	789	283	1,030	220	282	646	305	372	150	677	334	83	21	66	36	143	116	132	2,440	2,440			
1921	674,501	25	18	699	519	479	188	920	250	506	225	1,905	663	273	192	460	156	733	348	64	22	35	66	30	94	119	104	2,440	2,440	
1922	609,506	25	18	634	362	174	703	232	571	209	1,636	615	258	204	433	166	370	166	64	20	35	73	28	79	111	81	2,440	2,440		
1923	633,576	25	21	658	597	410	200	793	268	551	242	1,754	711	267	430	184	697	411	10	23	38	81	28	94	128	320	2,440	2,440		
1924	703,521	25	18	689	811	401	168	779	277	328	492	1,720	779	274	398	174	662	502	64	28	35	100	35	71	112	88	2,440	2,440		
1925	606,684	25	18	751	857	791	375	752	335	472	302	1,579	888	273	255	381	207	654	462	64	29	37	92	37	89	159	83	2,440	2,440	
1926	566,653	25	18	817	760	379	240	732	320	428	288	1,543	848	264	244	381	197	645	441	69	27	37	87	36	86	152	83	2,440	2,440	
1927	565,621	25	18	816	729	354	228	715	304	356	275	1,427	808	251	184	395	159	646	343	67	26	37	66	33	70	128	83	2,440	2,440	
1928	563,541	28	21	685	97	771	639	405	364	644	284	1,472	648	261	184	382	151	643	335	71	20	39	66	31	85	116	74	2,440	2,440	
1929	565,541	28	21	685	97	771	639	405	364	644	284	1,472	648	261	184	382	151	655	335	82	21	39	66	33	89	115	73	2,440	2,440	
1930	474,422	185	190	135	655	181	312	164	1,307	481	251	140	341	114	592	254	71	15	39	50	33	71	87	211	24	4,240	4,240			
1931	411,392	185	190	135	655	181	312	164	1,307	481	251	140	341	114	592	254	71	15	39	50	33	71	87	198	99	3,800	3,800			
1932	438,342	189	193	139	577	394	268	131	1,069	385	210	112	286	91	496	203	50	12	28	40	31	61	70	199	61	2,440	2,440			
1933	457,342	130	51	587	394	355	108	562	145	344	131	1,261	385	208	112	270	91	478	203	52	12	28	40	54	70	214	39	3,740	3,740	
1934	540,422	122	51	662	394	439	108	713	145	494	131	1,646	385	234	112	279	91	513	203	55	12	30	40	54	70	222	39	3,740	3,740	
1935	508,422	111	67	617	577	364	168	595	209	494	188	1,513	557	255	160	301	131	556	291	50	19	28	57	27	59	104	22	3,740	3,740	
1936	506,490	111	67	617	577	364	168	595	209	494	188	1,513	557	255	160	301	131	556	291	50	19	28	57	27	59	104	22	3,740	3,740	
Ja 1937	508,508	111	67	617	575	364	168	688	245	539	221	1,591	653	239	160	301	134	585	294	49	22	32	57	27	65	104	22	3,740	3,740	
Ap 1937	503,508	103	67	617	575	423	186	763	245	591	221	1,777	653	246	160	301	134	581	294	49	22	32	57	27	65	104	22	3,740	3,740	
Jl 1937	500,510	111	67	617	577	369	168	772	245	592	221	1,787	653	250	160	302	134	582	294	49	22	32	57	27	65	104	22	3,740	3,740	
0 1937	500,510	111	67	617	577	369	168	772	245	592	221	1,787	653	250	160	302	134	582	294	49	22	32	57	27	65	104	22	3,740	3,740	
Ja 1938	515,417	103	77	618	494	353	142	642	185	525	167	1,520	494	239	160	302	134	582	294	49	17	27	57	28	64	88	192	42	3,740	3,740
Ap 1938	510,468	103	77	613	638	434	168	644	219	509	198	1,498	581	239	160	302	134	582	294	48	19	26	57	29	64	116	192	61	3,740	3,740
Jl 1938	516,516	103	77	619	638	346	168	644	219	508	198	1,493	581	239	160	302	134	582	294	48	19	26	57	29	64	116	192	61	3,740	3,740
0 1938	516,516	103	77	613	638	395	164	713	219	509	198	1,617	581	239	160	302	134	582	294	48	19	26	57	29	64	116	192	61	3,740	3,740
Ja 1939	515,417	103	77	613	614	374	158	677	215	566	195	1,588	567	239	160	302	134	582	294	48	19	26	57	29	64	116	192	61	3,740	3,740
Ap 1939	510,561	103	77	613	614	371	158	677	215	566	195	1,754	567	239	160	302	134	582	294	48	19	26	57	29	64	116	192	61	3,740	3,740
Jl 1939	516,516	103	77	613	614	371	158	677	215	566	195	1,754	5																	

BUSINESS CONDITION INDEXES BY CITIES

In December 1938 Real Estate Analysts, Inc., started working on a series of business indexes for all principal cities of the United States, based on the volume of check transactions. At that time we published charts on 90 cities month by month, from 1933 on.

In the study in this report we have carried these figures back in each city to the year 1919 and have computed a normal line on all the data that appear in this study. All figures have been adjusted for a seasonal fluctuation and are expressed as percentages above or below this normal. The percentages above normal are shown by the black areas on the chart; the percentages below normal, by the red areas.

The large chart in the upper left hand corner of the spread shows the average of all the cities charted, with the exception of those in which peculiar conditions have clearly destroyed the effectiveness of check transactions as an index of business conditions. These places are primarily state capitals where check transactions have been swollen by government payments of various types that have cleared through the local clearing house. We have marked all state capitals on these charts with a red dot following the name of the city. We think that Albany forms a very good example of these unusual cities. Apparently since 1933 government payments clearing through Albany have distorted our curve to the point where it is of very little value.

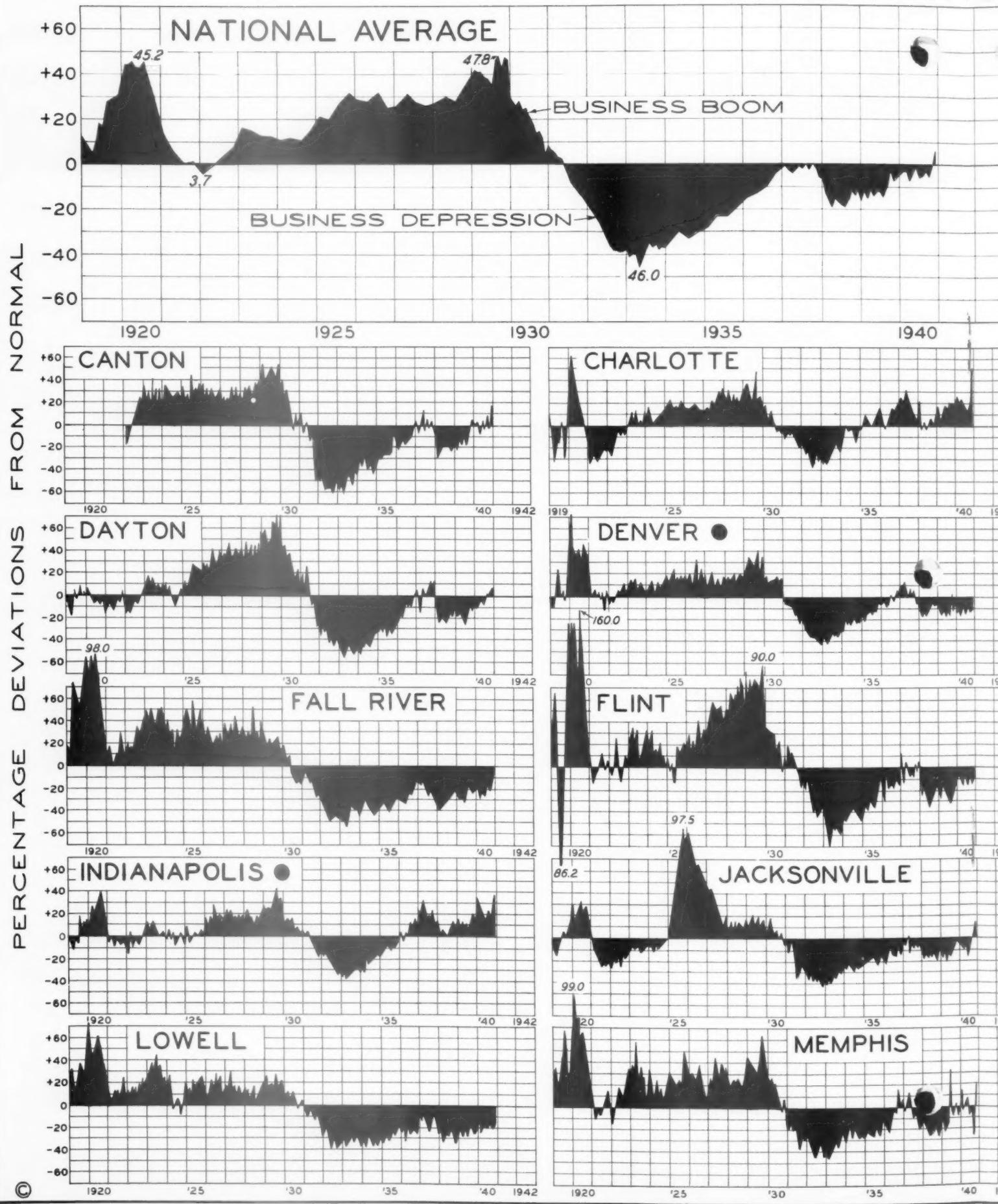
One factor that must be taken into consideration in the use of check transaction figures as a business index over a long period is that the dollar total of check transactions each month is affected by the changes in general prices, necessitating a larger or smaller dollar volume of checks to do the same volume of business. This will be noticed particularly on some of the charts in the years 1919 and 1920, when general prices were rising rapidly. In order to make mental adjustments easier in studying the charts for individual cities, we have charted in the upper right hand corner of the spread both wholesale commodity prices and the cost of living since 1919.

Of the 90 cities which are charted in this report we believe that 81 are represented rather accurately by the charts as shown. Those which we believe to be badly warped by unusual conditions are Albany, Atlanta, Columbus, Des Moines, Hartford, Indianapolis, Sacramento, and Trenton, all state capitals. Some of the other state capitals in our list, however, probably because of government payments through other banks, do not appear to be greatly affected. Cities in this group would be Richmond and Little Rock.

The indexes for New York City and Northern New Jersey show the effect of the great volume of stock market speculation in these areas in the late 20's. Since in the end the transfer of practically every share of stock in any place in the United States is represented by at least one check transaction in this area, the New York index rose to unusual heights prior to the market collapse.

Indications of the Florida boom are seen in the peaks in Tampa, Miami, and Jacksonville, reached in the middle 20's. The New England cities on the whole have shown the least degree of recovery within the past year. Specialized industrial cities such as Detroit, Tulsa, and Duluth have experienced some of the most erratic changes.

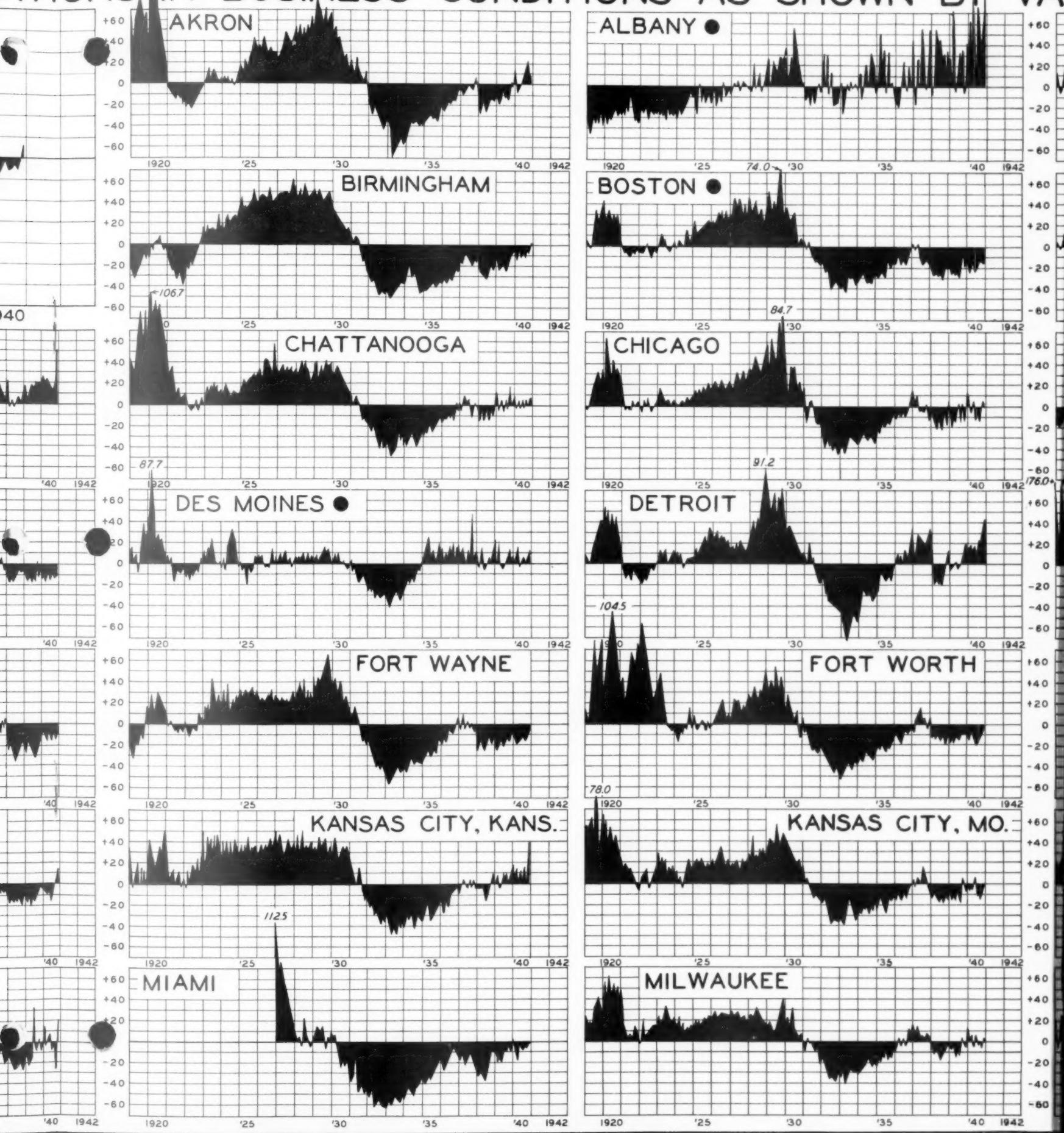
FLUCTUATION

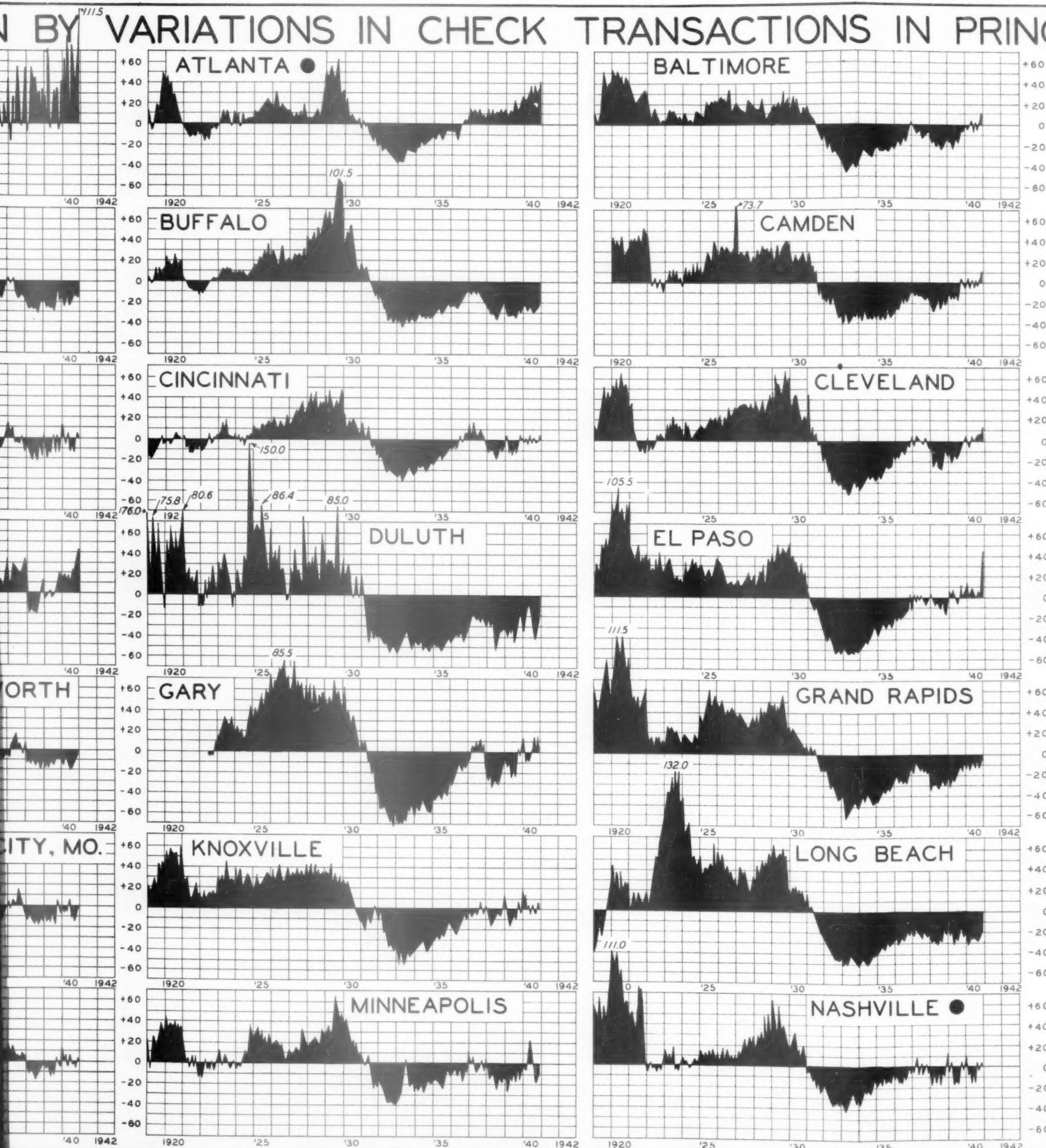


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● STATE CAPITALS

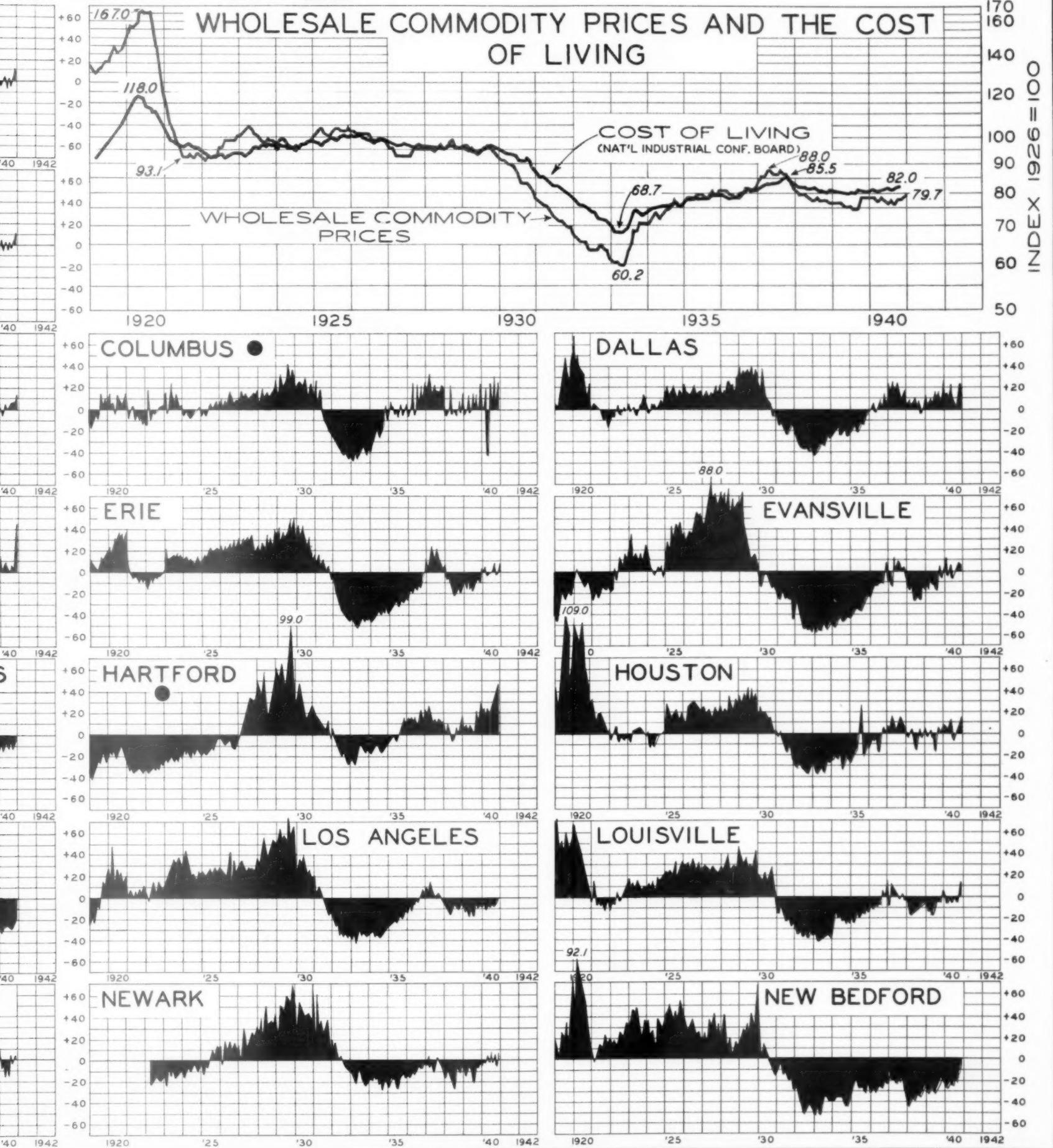
VARIATIONS IN BUSINESS CONDITIONS AS SHOWN BY VA



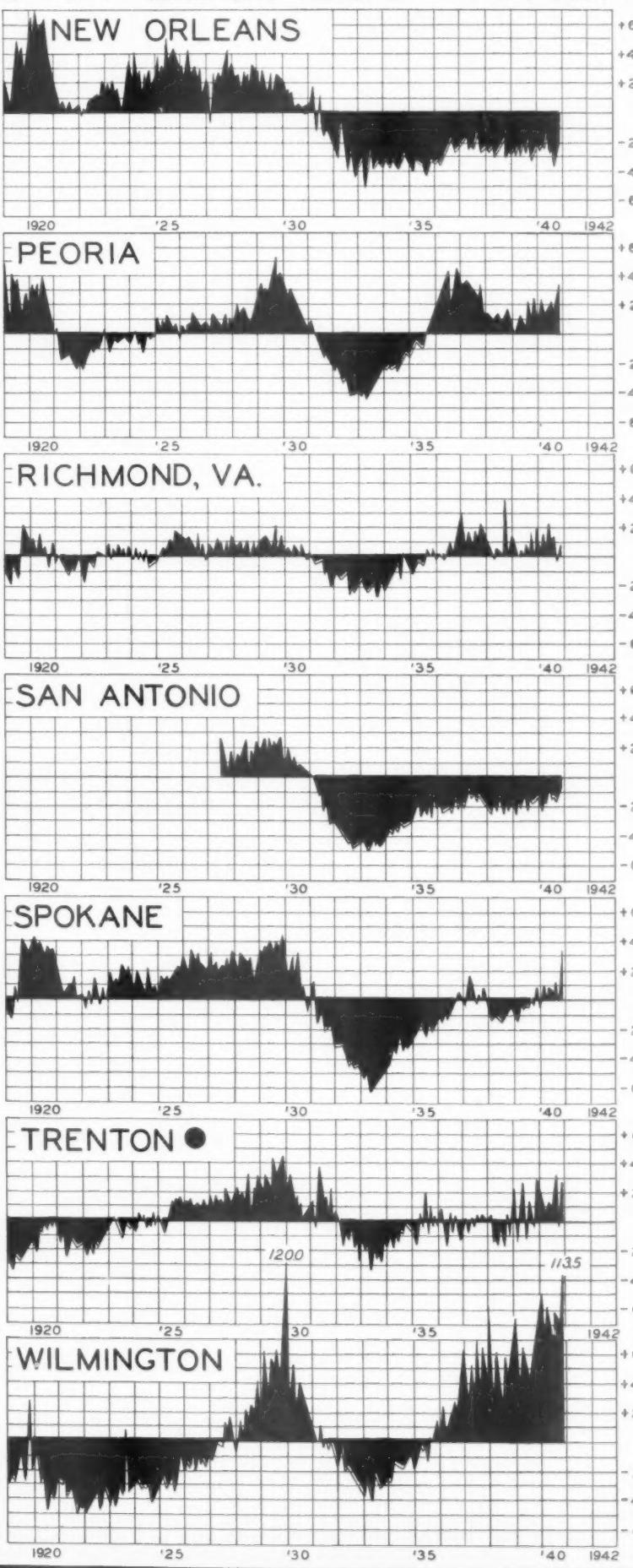
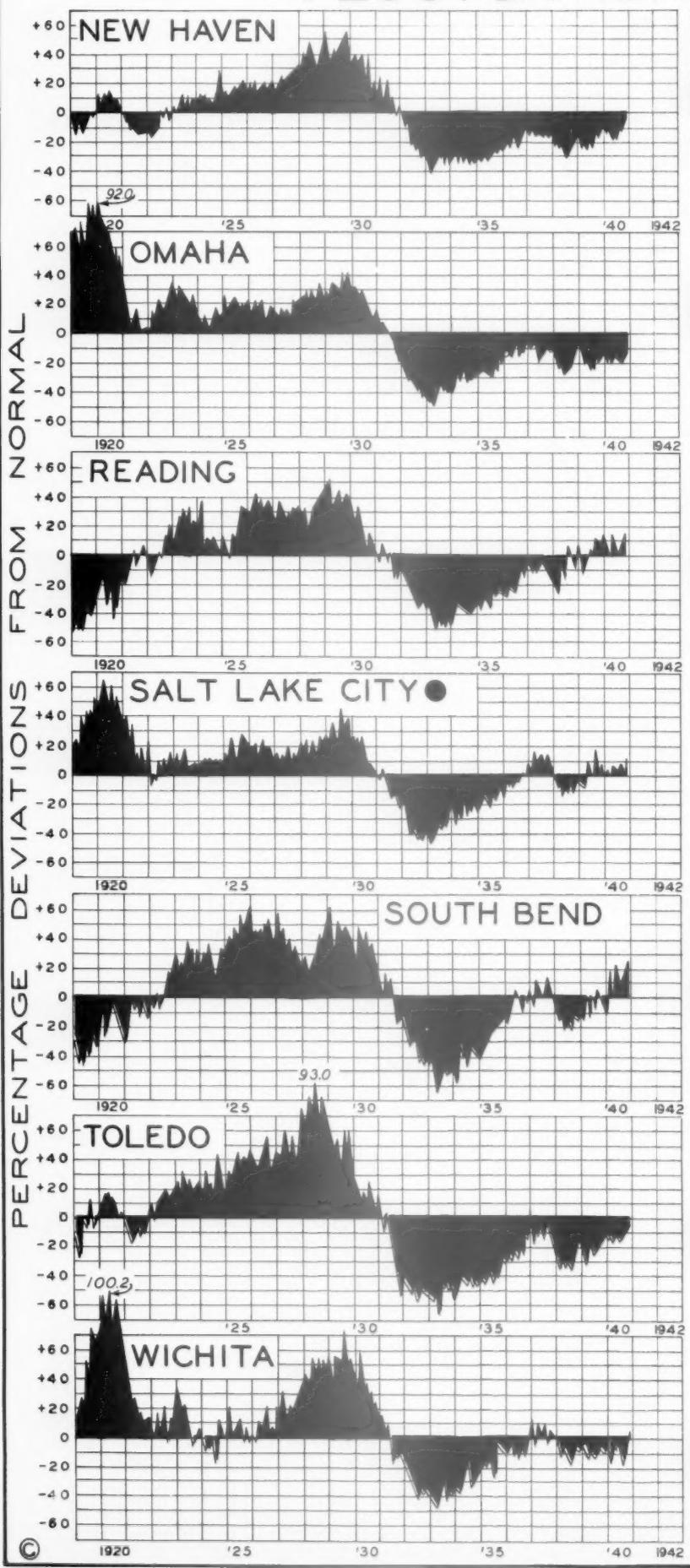


PRINCIPAL CITIES

WHOLESALE COMMODITY PRICES AND THE COST OF LIVING



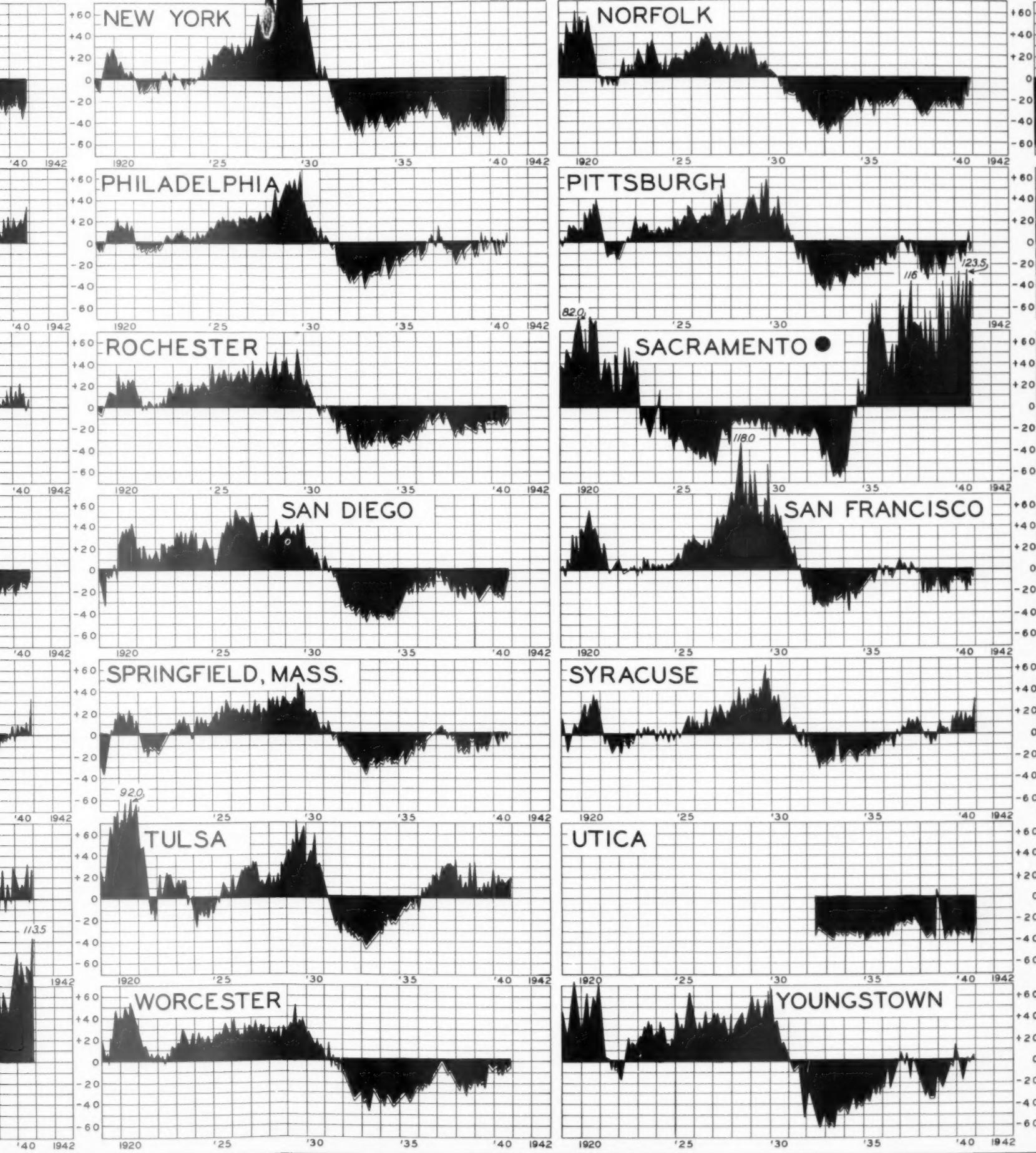
FLUCTUATIONS IN BUSINESS CONDITIONS



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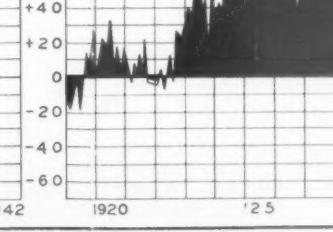
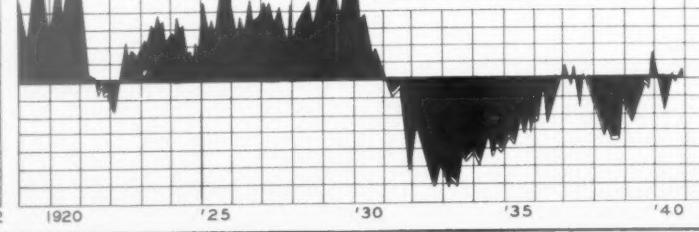
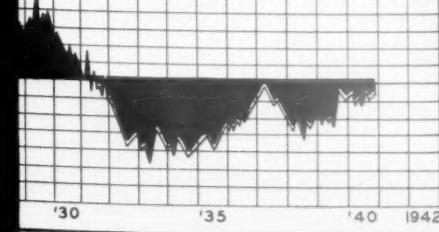
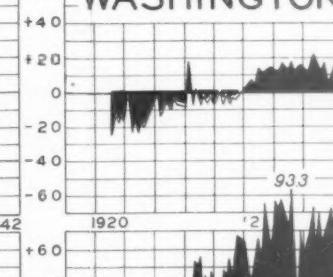
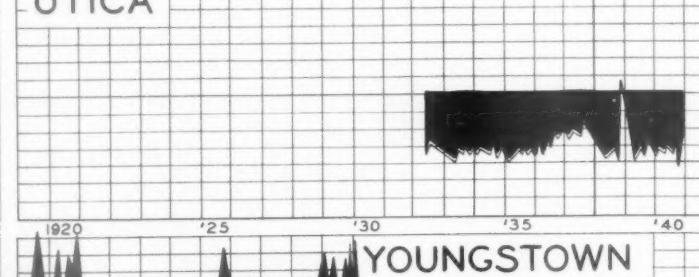
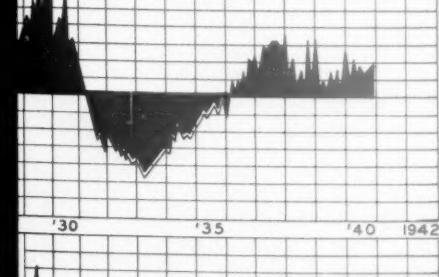
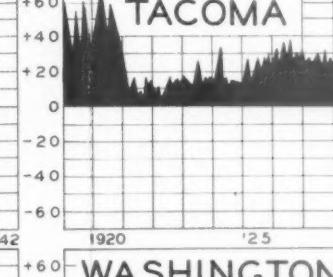
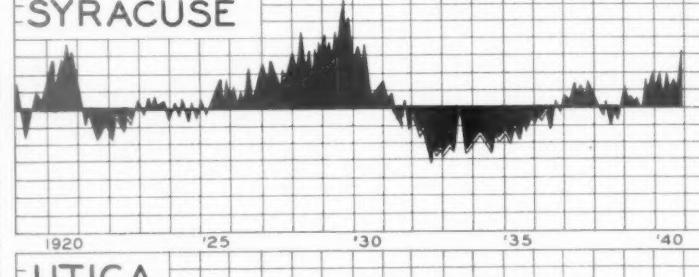
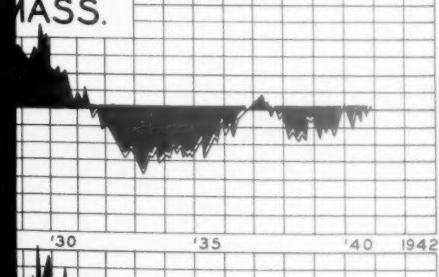
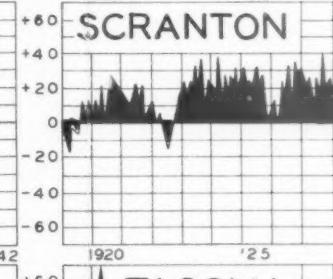
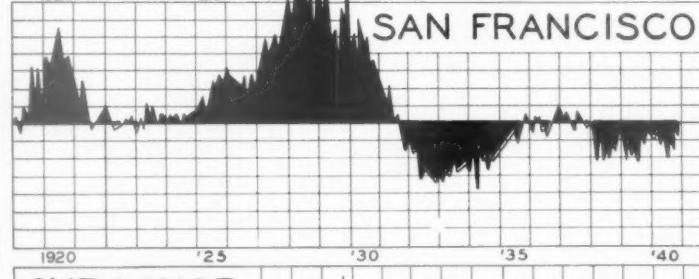
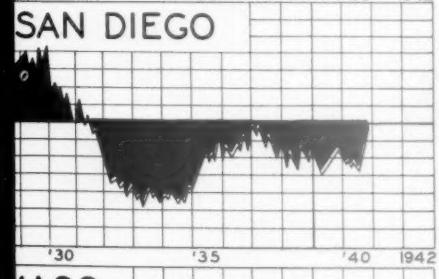
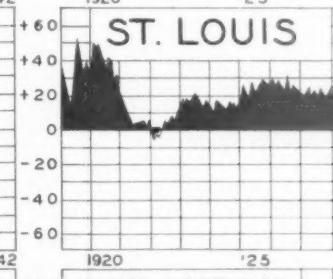
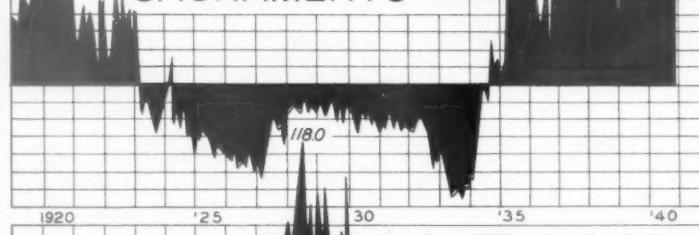
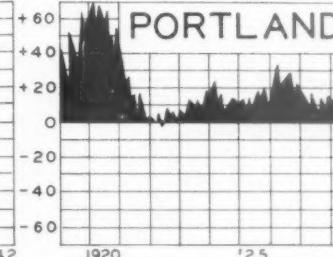
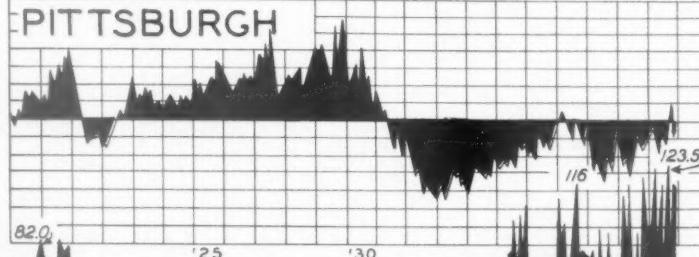
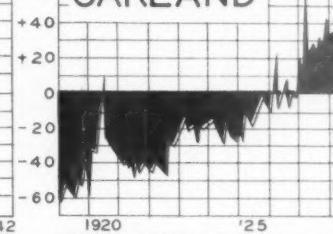
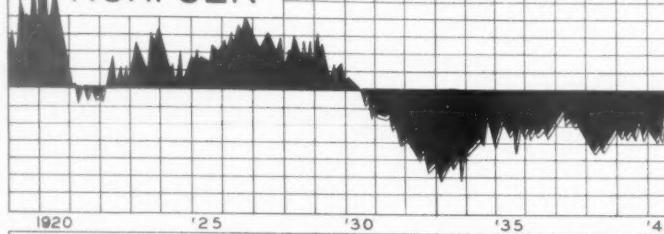
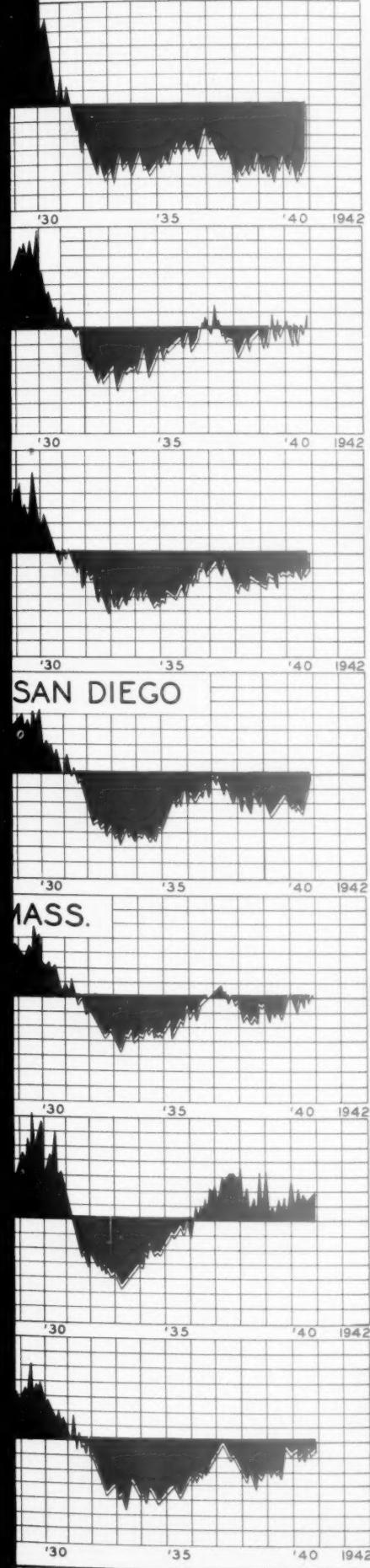
• STATE CAPITALS

CONDITIONS AS SHOWN BY VARIATIONS IN CHECK

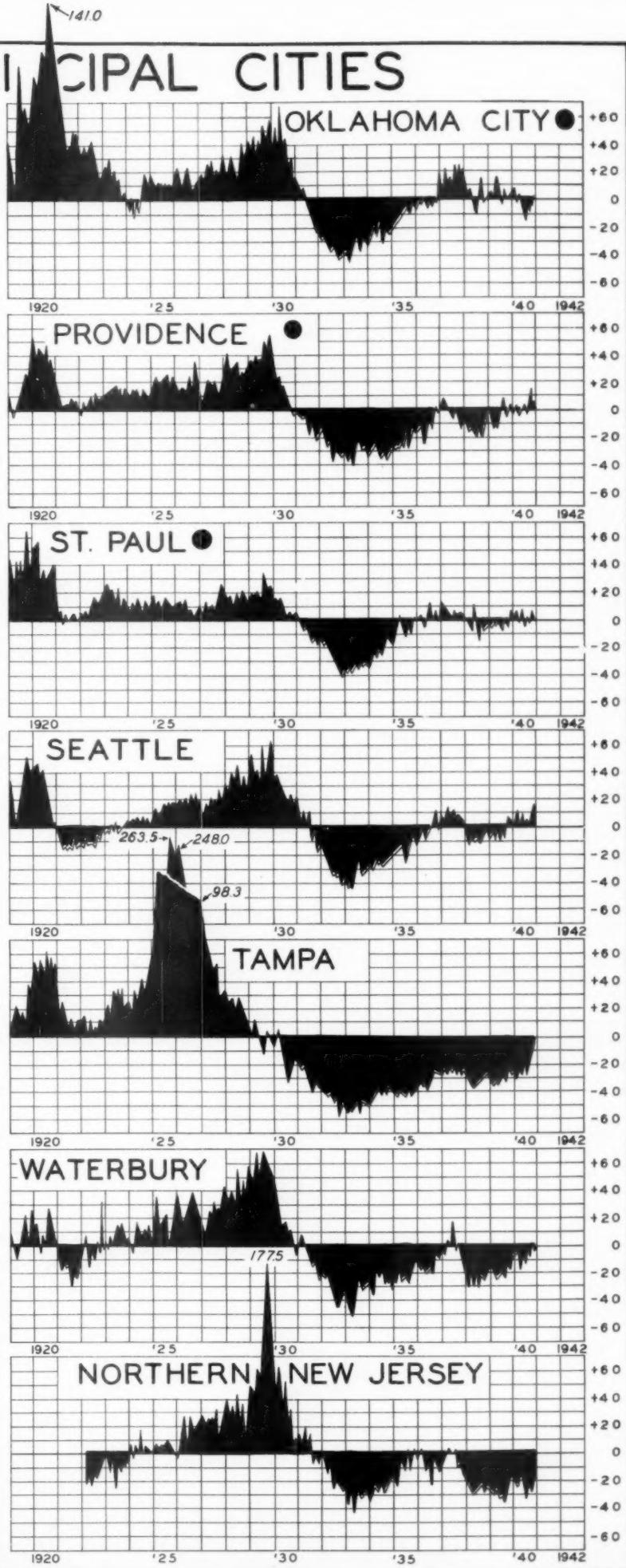
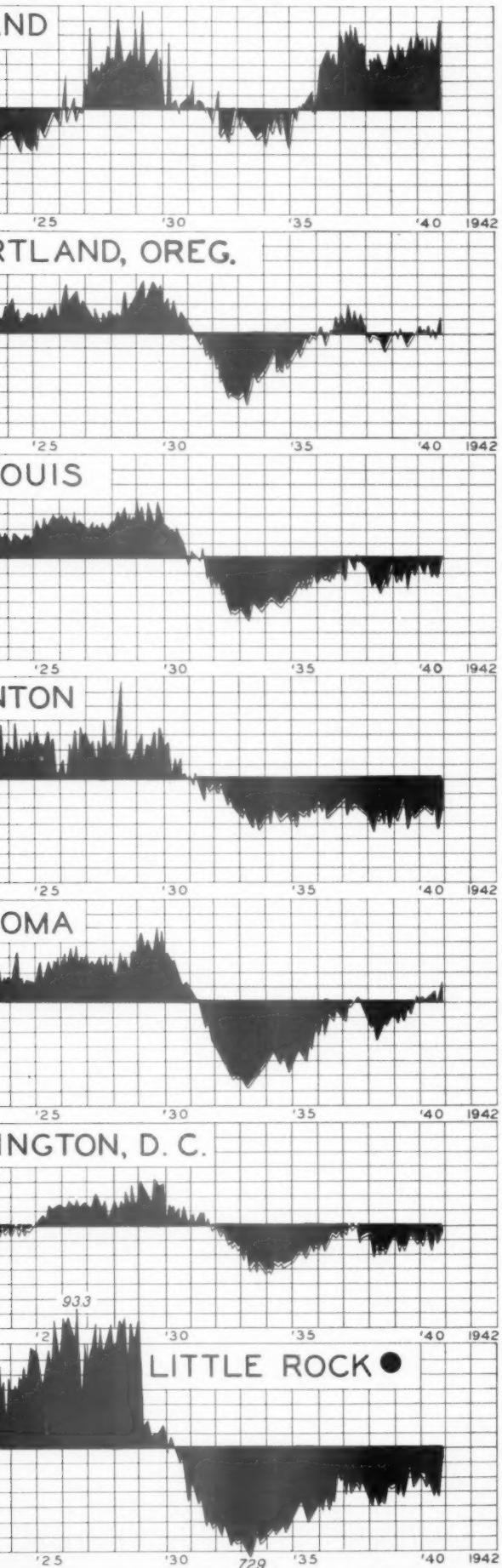


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SHOWN BY VARIATIONS IN CHECK TRANSACTIONS

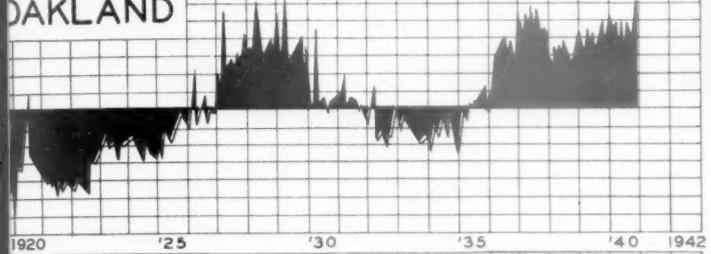


TRANSACTIONS IN PRINCIPAL CITIES

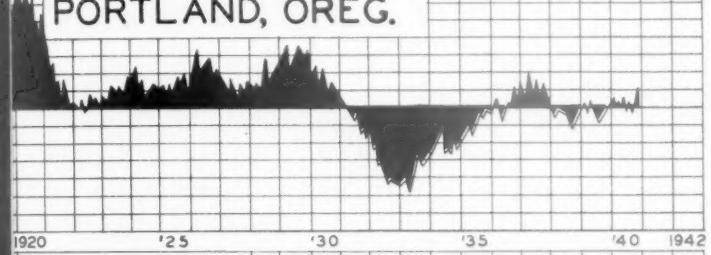


TRANSACTIONS IN PRINCIPAL CITIES

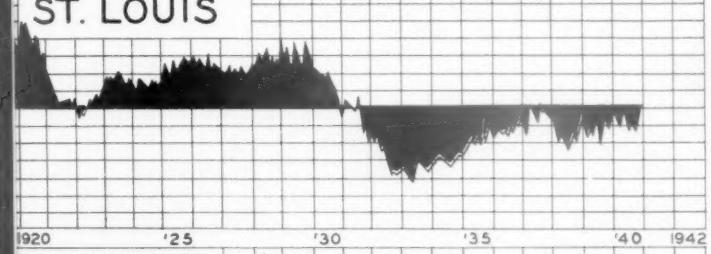
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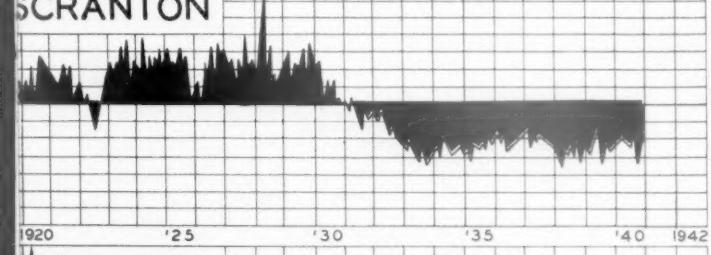
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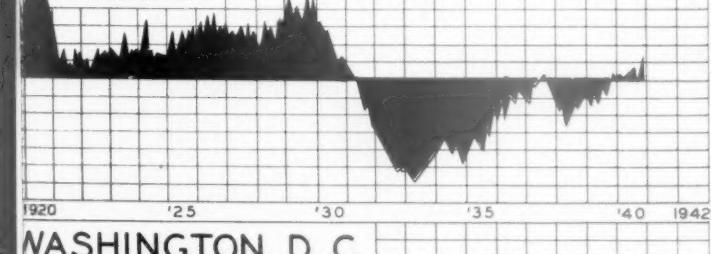
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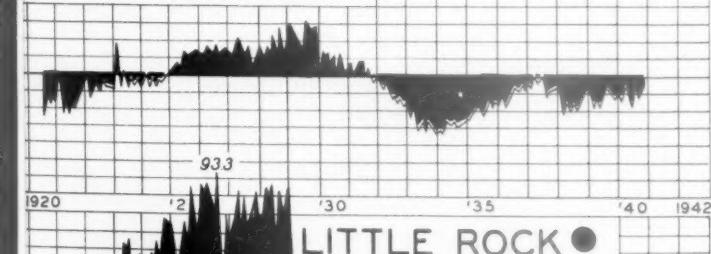
SCRANTON



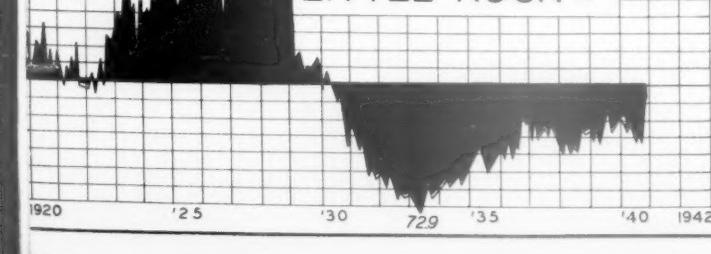
TACOMA



WASHINGTON, D. C.

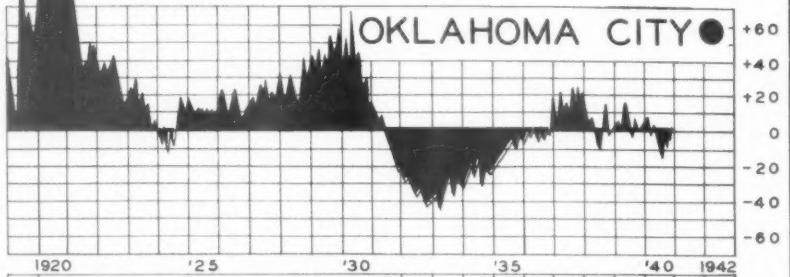


LITTLE ROCK

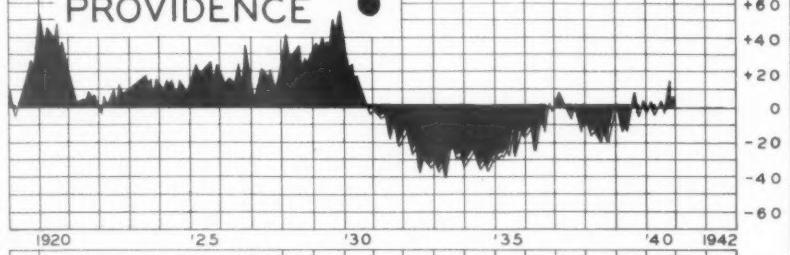


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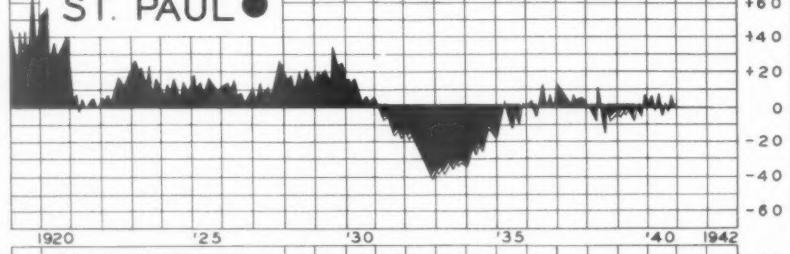
OKLAHOMA CITY



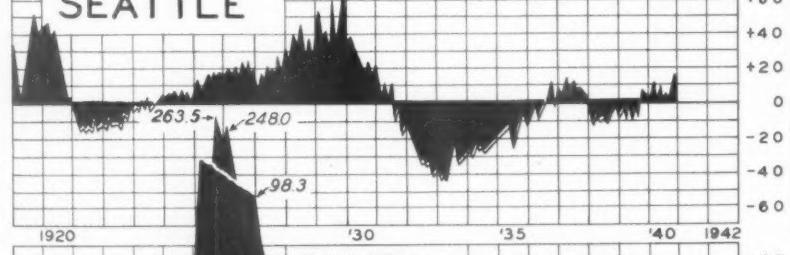
PROVIDENCE



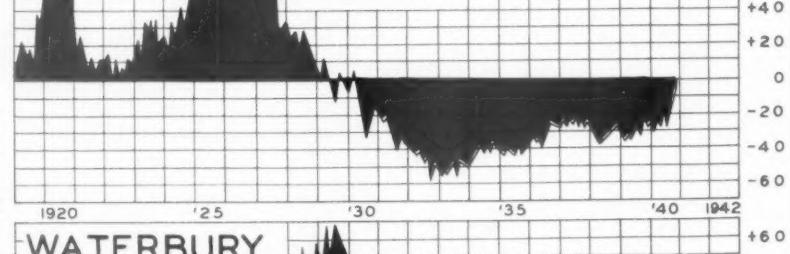
ST. PAUL



SEATTLE



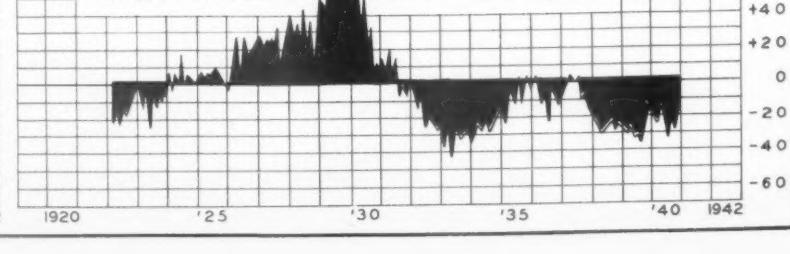
TAMPA



WATERBURY

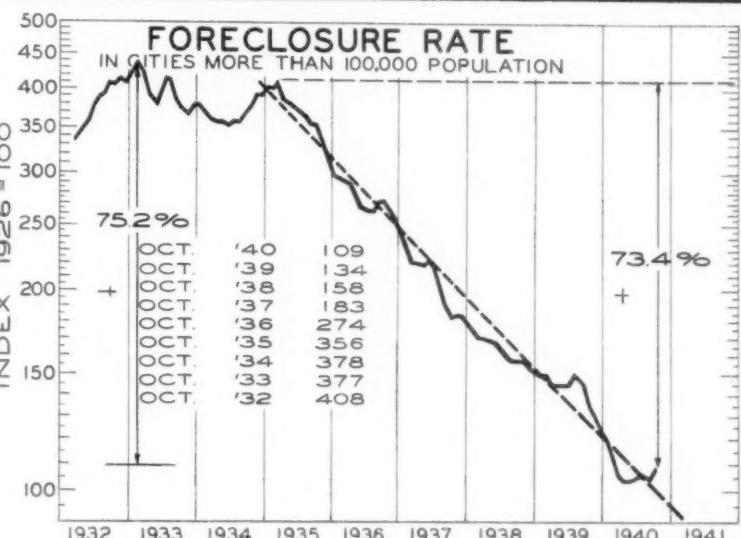


NORTHERN NEW JERSEY

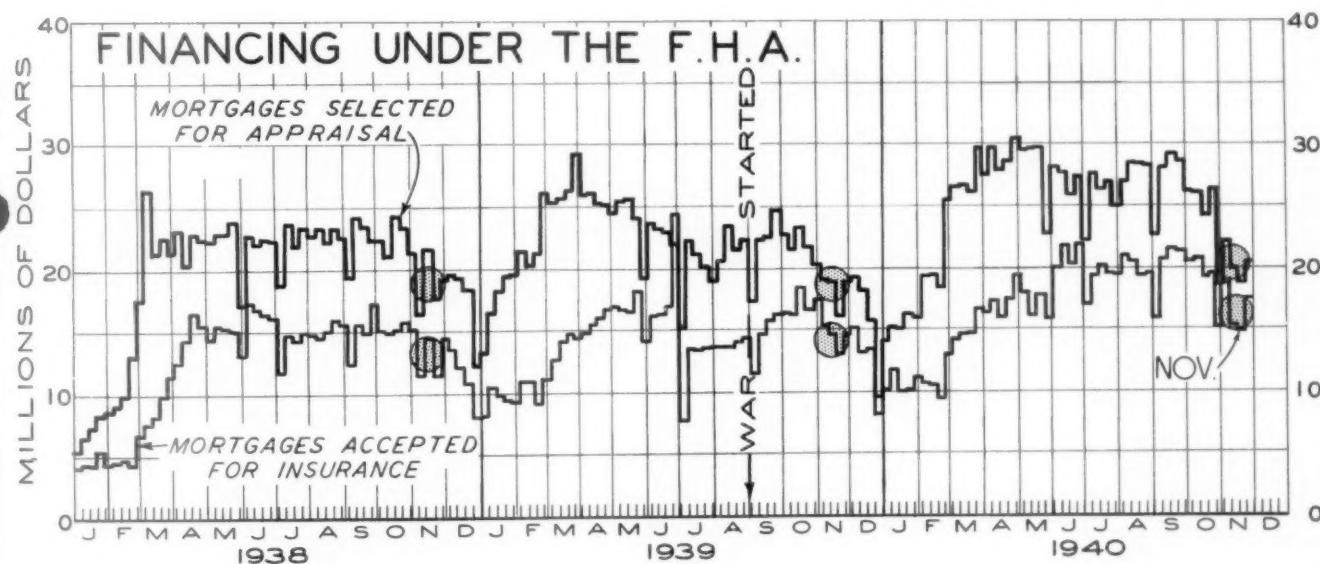


URBAN foreclosures for October 1940, on a seasonally adjusted basis, showed a slight increase over September.

As long as foreclosures remain at approximately their present low level, as they have since early spring, there is no cause for alarm in a slight upward movement for a month or so. They have now reached such a low level that further sharp drops are improbable.



This chart is computed from basic figures that are gathered by the Home Owners' Loan Corporation from all cities of more than one hundred thousand population in the United States.



MORTGAGES selected for appraisal and accepted for insurance by the FHA in November declined from the October level by more than a seasonal amount. It is still too early to tell how great an obstacle increasing construction costs will be to private residential construction.

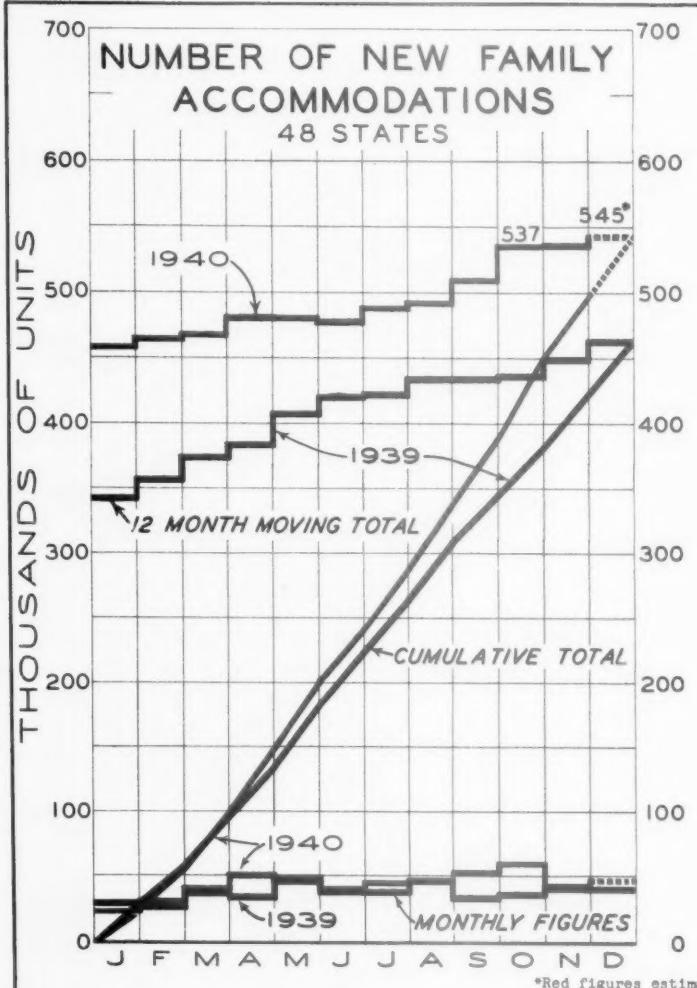
The tables below show comparisons with a year ago.

MORTGAGES SELECTED FOR APPRAISAL COMPARED WITH YEAR AGO

1939		1940											
Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	
-4%	-13%	-9%	-2%	-6%	+21%	+18%	+11%	+42%	+24%	+27%	+16%	+13%	

MORTGAGES ACCEPTED FOR INSURANCE COMPARED WITH YEAR AGO

+2% +5% +15% +9% +1% +18% +9% +2% +67% +58% +37% +19% +15%

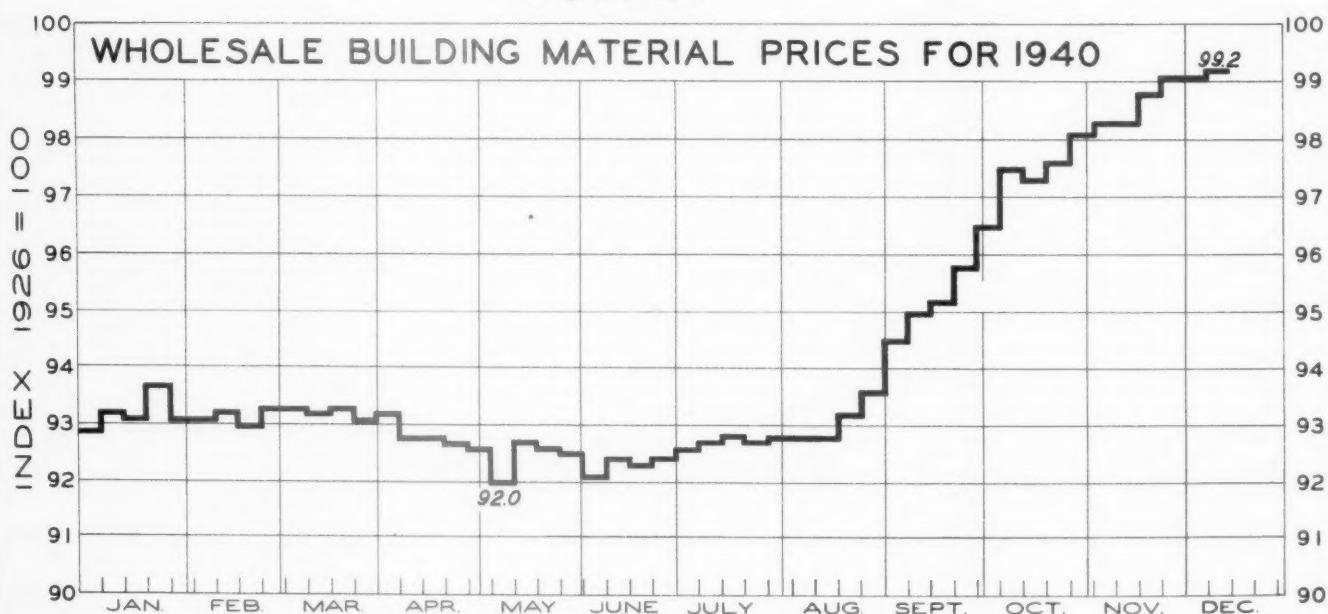


NEW BUILDING

THE chart to the left shows the number of new family accommodations build during 1939 and 1940 in all non-farm communities of the forty-eight states and the District of Columbia. 1939 is shown in red, 1940 in black. The bottom lines show the monthly figures uncorrected for seasonal influences; the inclined lines, the cumulative totals from the first of the year; and the top lines, the twelve months' moving totals; viz., each point on the top lines represents the totals for the preceding twelve months. These top lines show trends.

DWELLING UNITS CONSTRUCTED IN 48 STATES
(in thousands of units)

	Monthly 1939	1940	Cumulative 1939	1940	12 Month Moving Total
January	30.1	25.7	30.1	25.7	345
February	29.2	33.7	59.3	59.4	461
March	39.4	42.0	98.7	101.4	465
April	36.6	51.1	135.3	152.5	482
May	49.6	49.1	184.9	201.6	482
June	40.6	38.8	225.5	240.4	480
July	38.1	48.9	263.6	289.3	491
August	46.2	49.4	309.8	338.7	494
September	35.7	53.0	345.5	391.7	511
October	36.1	62.4	381.6	454.1	537
November	42.5	42.7	424.1	496.8	538
December	40.9	42.8*	465.0	545*	545*



WHOLESALE building material prices are charted by weeks for 1940 in the chart above. This chart is based on the averages of the building materials on which the Bureau of Labor Statistics accumulates prices weekly.

It will be noticed that prices started rising in June and that these rises have been consistent from then on to this last week. The average of these prices is now 99.2% of their 1926 level.

